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Abstract
This paper presents the relationship between different types of blockholders with information asymmetry in Malaysian firms. To be more specific, this study divides the ownership structures into managerial blockholder, institutional blockholder and individual blockholder and ownership concentration while holding firm size and trading volume as control variables. On the other hand, the stock volatility and bid-ask spread are used as a proxy for information asymmetry. A sample of the top 150 largest public listed firms in term of market capitalisation is chosen from Bursa Malaysia from 2011 to 2015. Panel regression analysis is used to examine the data. The results show managerial blockholders, firm size and trading volume significantly influence information asymmetry. While institutional blockholders, individual blockholders and ownership concentration exhibit no relationship with information asymmetry. The study from this result can be useful for investors and the policymakers in Malaysia as it gives a clearer picture and more understandings on ownership structures and information asymmetry in the Malaysia market.
Keywords: Managerial Blockholder, Institutional Blockholder, Individual Blockholder, Ownership Concentration and Information Asymmetry

Introduction

According to Jensen and Meckling (1976)'s Agency Theory, the managers will not always act in the best interest of shareholders due to conflict of interest. However, there is a remedy to reduce the conflict between manager and shareholders, which aligns the interest of managers with shareholders. Based on the theory, it suggested that whenever there is managerial ownership, the interests of shareholders and managerial block holders are aligned. Nevertheless, Jensen and Meckling further pointed out the expropriate wealth of minority shareholders by the block holders, where the large shareholdings of the share will lead to an increase in incentive to take advantage of small shareholders. Hence, it can be concluded that managerial ownership does reduce agency cost, but at the same time, it also increases the conflict with minority shareholders.